



Dave Yost • Auditor of State

VILLAGE OF ARCANUM
DARKE COUNTY
DECEMBER 31, 2015

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types For the Year Ended December 31, 2015.....	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Proprietary Fund Types For the Year Ended December 31, 2015.....	6
Notes to the Financial Statements For the Year Ended December 31, 2015.....	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	21
Schedule of Findings.....	23
Summary Schedule of Prior Audit Findings	24



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Arcanum
Darke County
104 West South Street
Arcanum, Ohio 45304

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Arcanum, Darke County, Ohio, (the Village) as of and for the year ended December 31, 2015.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Arcanum, Darke County as of December 31, 2015, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 12 to the financial statements, during 2015, the Village has elected to change its financial presentation to the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2017, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

March 16, 2017

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Village of Arcanum, Ohio
Darke County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2015

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$56,282	\$39,228	\$27,813	\$0	\$123,323
Municipal Income Tax	546,360	0	0	0	546,360
Intergovernmental	75,273	120,373	4,942	0	200,588
Special Assessments	0	2,236	0	40,905	43,141
Charges for Services	3,169	76,638	0	0	79,807
Fines, Licenses and Permits	15,422	0	0	0	15,422
Earnings on Investments	8,431	3,614	0	100	12,145
Miscellaneous	70,709	11,516	1	0	82,226
<i>Total Cash Receipts</i>	<u>775,646</u>	<u>253,605</u>	<u>32,756</u>	<u>41,005</u>	<u>1,103,012</u>
Cash Disbursements					
Current:					
Security of Persons and Property	267,217	66,927	646	0	334,790
Public Health Services	9,602	26,602	0	0	36,204
Leisure Time Activities	3,334	31,740	0	0	35,074
Community Environment	82,674	0	0	0	82,674
Transportation	7,740	93,959	0	0	101,699
General Government	147,115	635	0	0	147,750
Capital Outlay	88,237	48,695	0	114,578	251,510
Debt Service:					
Principal Retirement	8,896	18,750	35,690	10,167	73,503
Interest and Fiscal Charges	2,425	0	2,105	0	4,530
<i>Total Cash Disbursements</i>	<u>617,240</u>	<u>287,308</u>	<u>38,441</u>	<u>124,745</u>	<u>1,067,734</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>158,406</u>	<u>(33,703)</u>	<u>(5,685)</u>	<u>(83,740)</u>	<u>35,278</u>
Other Financing Receipts (Disbursements)					
Other Debt Proceeds	36,263	0	0	0	36,263
Proceeds of OPWC Loan	0	0	0	25,200	25,200
Transfers In	0	18,000	0	20,334	38,334
Transfers Out	(38,334)	0	0	0	(38,334)
Advances In	3,191	0	0	0	3,191
<i>Total Other Financing Receipts (Disbursements)</i>	<u>1,120</u>	<u>18,000</u>	<u>0</u>	<u>45,534</u>	<u>64,654</u>
<i>Net Change in Fund Cash Balances</i>	159,526	(15,703)	(5,685)	(38,206)	99,932
<i>Fund Cash Balances, January 1</i>	<u>1,062,937</u>	<u>521,766</u>	<u>51,962</u>	<u>101,146</u>	<u>1,737,811</u>
Fund Cash Balances, December 31					
Nonspendable	1,381	0	0	0	1,381
Restricted	0	506,063	46,277	62,940	615,280
Assigned	19,963	0	0	0	19,963
Unassigned	1,201,119	0	0	0	1,201,119
<i>Fund Cash Balances, December 31</i>	<u>\$1,222,463</u>	<u>\$506,063</u>	<u>\$46,277</u>	<u>\$62,940</u>	<u>\$1,837,743</u>

The notes to the financial statements are an integral part of this statement.

Village of Arcanum, Ohio
Darke County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Proprietary Fund Types
For the Year Ended December 31, 2015

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$3,382,047
Miscellaneous	23,446
	<u>3,405,493</u>
<i>Total Operating Cash Receipts</i>	
Operating Cash Disbursements	
Personal Services	490,400
Contractual Services	2,059,380
Supplies and Materials	174,372
	<u>2,724,152</u>
<i>Total Operating Cash Disbursements</i>	
<i>Operating Cash Receipts Over (Under)</i>	
<i>Operating Cash Disbursements</i>	<u>681,341</u>
Non-Operating Cash Receipts (Disbursements)	
Miscellaneous Receipts	29,638
Capital Outlay	(135,808)
Principal Retirement	(322,253)
Interest and Other Fiscal Charges	(106,710)
Miscellaneous Disbursements	(38,668)
	<u>(573,801)</u>
<i>Total Non-Operating Cash Receipts (Disbursements)</i>	
<i>Cash Receipts Over (Under)</i>	
<i>Cash Disbursements Before Advances</i>	107,540
Advances Out	(3,191)
	<u>(3,191)</u>
<i>Net Change in Fund Cash Balances</i>	104,349
<i>Fund Cash Balances, January 1</i>	<u>3,286,001</u>
<i>Fund Cash Balances, December 31</i>	<u>\$3,390,350</u>

The notes to the financial statements are an integral part of this statement.

Village of Arcanum
Darke County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2015

NOTE 1. DESCRIPTION OF THE ENTITY

The Village of Arcanum, Darke County, Ohio, and (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, refuse services, park operations (leisure time activities), and police and fire services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Primary Government The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The reporting entity is comprised of only the primary government. No component units or other organizations were included to ensure that the financial statements are not misleading.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

B. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund

This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Fire Fund

This fund receives the proceeds of contractual services for providing fire protection to local governments.

Village of Arcanum
Darke County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2015

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant debt service fund:

Fire Equipment Levy Fund

This fund is used to accumulate resources for the payment of bond debt for the purchase of fire equipment.

Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

South Main Street Reconstruction Fund

This fund is used to account for all financial resources and expenses associated with the reconstruction of South Main Street in the Village.

Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant enterprise funds:

Water Fund

This fund is used to account for receipts received from user charges for water services provided to residents of the Village. The costs of providing services are financed through user charges.

Sewer Fund

This fund is used to account for receipts received from user charges for sewer services provided to residents of the Village. The costs of providing services are financed through user charges.

Electric Fund

This fund is used to account for receipts received from user charges for electric services provided to residents of the Village. The costs of providing services are financed through user charges.

C. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

Village of Arcanum
Darke County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2015

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2015 budgetary activity appears in Note 3.

D. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

E. Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

G. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Village of Arcanum
Darke County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2015

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

NOTE 3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$726,683	\$815,100	\$88,417
Special Revenue	257,594	271,605	14,011
Debt Service	32,780	32,756	(24)
Capital Projects	121,663	86,539	(35,124)
Enterprise	3,176,492	3,435,131	258,639
Total	\$4,315,212	\$4,641,131	\$325,919

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$894,220	\$655,574	\$238,646
Special Revenue	340,392	287,308	53,084
Debt Service	38,645	38,441	204
Capital Projects	160,983	124,745	36,238
Enterprise	3,810,300	3,327,591	482,709
Total	\$5,244,540	\$4,433,659	\$810,881

Village of Arcanum
Darke County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2015

NOTE 4. DEPOSITS AND INVESTMENTS

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2015
Demand deposits	\$2,222,637
Certificates of deposit	2,760,000
Cash on Hand	600
Total deposits	4,983,237
STAR Ohio	244,856
Total investments	244,856
Total deposits and investments	\$5,228,093

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

Investments: Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

NOTE 5. PROPERTY TAX

Property taxes include amounts levied against all real property and public utility property located in the Village. Real property tax receipts received in 2015 represent the collection of 2014 taxes. Real property taxes received in 2015 were levied after October 1, 2013 on the assessed values as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in represent the collection of taxes. Public utility real property taxes received in 2015 became a lien on December 31, 2013, were levied after October 1, 2014, and were collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The full tax rate for all Village operations for the year ended December 31, 2015, was \$6.70 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which property tax receipts were based are as follows:

Real Property	
Real Estate – Residential/Agricultural	\$29,784,980
Real Estate – All Other	2,916,100
Public Utility – Personal Property	261,414
Total Assessed Value	\$32,962,494

Village of Arcanum
Darke County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2015

NOTE 6. DEBT

Debt outstanding at December 31, 2015 was as follows:

	Balance 12/31/2014	Additions	Deletions	Balance 12/31/2015
<u>Governmental Funds</u>				
Lease Purchase-Factory Building *	\$ 59,156	\$ -	\$ 8,896	\$ 50,260
OPWC CK38M W. George Street	200,000	-	18,750	181,250
Police Cruiser	-	36,263	-	36,263
OPWC S. Main Street CT20Q	584,800	25,200	10,167	599,833
Fire Truck Bonds Series 2013 *	35,690	-	35,690	-
Total Governmental Activities	<u>879,646</u>	<u>61,463</u>	<u>73,503</u>	<u>867,606</u>
<u>Enterprise Funds</u>				
OWDA Loan 3770	2,062,743	-	94,586	1,968,157
OWDA Loan 3771	844,479	-	27,933	816,546
OWDA Loan 4565	129,660	-	9,662	119,998
OWDA Loan 5007	2,220,889	-	73,822	2,147,067
OPWC Phase II CK06F	142,500	-	22,500	120,000
OPWC CK30C NW Storm	15,000	-	3,750	11,250
OPWC Phase III CK02L	700,000	-	60,000	640,000
Artesian of Pioneer/Water Media	120,000	-	30,000	90,000
Total Business-Type Activities	<u>6,235,271</u>	<u>-</u>	<u>322,253</u>	<u>5,913,018</u>
Total Debt	<u>\$ 7,114,917</u>	<u>\$ 61,463</u>	<u>\$ 395,756</u>	<u>\$ 6,780,624</u>

* Balance restated. These restatements had no effect on fund balance.

The lease purchase agreement relates to the purchase of a factory building that is to be used for the Village's street department. The original amount of the lease purchase agreement was \$169,820. The lease to purchase is being paid in annual installments of \$11,321, including principal and interest at 4.1%, over 15 years with the final payment March 4, 2020. The lease purchase agreement is being paid from the General Fund.

The Ohio Public Works Commission (OPWC) Loan No CK38M relates to the West George Street Project. The OPWC has approved an interest free loan in the amount of \$250,000 for this project. The loan is being repaid in annual installments of \$12,500 over 20 years with final payment July 1, 2030. The loan is being repaid from the Permissive Tax Fund.

The Ohio Water Development Authority (OWDA) loan 3770 relates to the sanitary sewer phase II. The Village was approved for a loan in the amount of \$3,000,000 for this project. The loan is being repaid in annual installments of \$125,174, including principal and interest at 1.5%, over 30 years with final payment January 1, 2034. The loan is collateralized by water and sewer receipts and is being repaid from the Sewer Fund.

The Ohio Water Development Authority (OWDA) loan 3771 relates to the sanitary sewer phase II. The Village was approved for a loan in the amount of \$2,000,000. In May 2009, it was determined that the full amount would not need to be drawn on the loan. The loan is being repaid in annual installments of \$68,471, including principal and interest at 4.84% with the final payment December 31, 2033. The loan is collateralized by water and sewer receipts and is being repaid from the Sewer Fund.

The Ohio Water Development Authority (OWDA) loan 4565 relates to the water plant upgrade. The Village was approved for a loan in the amount of \$200,000 for this project. The loan is being repaid in annual installments of \$12,208, including principal and interest at 2%, over 20 years. The loan is collateralized by water and sewer receipts. OWDA loan 4565 is being repaid from the Water Fund.

Village of Arcanum
Darke County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2015

NOTE 6. DEBT (Continued)

The Ohio Water Development Authority (OWDA) loan 5007 relates to the sanitary sewer phase III. The Village was approved for a loan in the amount of \$3,000,000 for this project. This loan is being repaid in annual installments of \$106,860, including principal and interest at 1.5%, over 30 years. OWDA loan 5007 is being repaid from the Sewer Fund.

The Ohio Public Works Commission (OPWC) Loan CK06F relates to the sanitary sewer phase II. The OPWC has approved an interest free loan in the amount of \$300,000 for this project. The loan is being repaid in annual installments of \$15,000 over 20 years with final payment July 1, 2023. The loan is collateralized by water and sewer receipts and is being repaid from the Sewer Fund.

The Ohio Public Works Commission (OPWC) Loan CK30C relates to the northwest sanitary sewer separation. The OPWC has approved an interest free loan of \$50,000 to the Village for this project. The loan is being repaid in annual installments of \$2,500 over 20 years with final payment July 1, 2020. The loan is collateralized by water and sewer receipts and is being repaid from the Sewer Fund.

The Ohio Public Works Commission (OPWC) Loan No. CK02L relates to the sanitary sewer phase III. The OPWC has approved a \$500,000 grant with an interest free loan in the amount of \$800,000 for this project. The loan will be repaid in annual installments of \$40,000 over 20 years with final payment July 1, 2030. The loan is collateralized by the water and sewer receipts and is being repaid from the Sewer Fund.

The Artesian of Pioneer loan relates to emergency action required to repair the water media system. Artesian of Pioneer approved an interest free loan in the amount of \$300,000 for this project. Upon completion of the project a \$30,000 payment was required with the remaining balance to be repaid in annual installments of \$30,000 over a nine year period with final payment February 1, 2018. The loan is collateralized by water receipts and is being repaid from the Water Fund.

During 2013, the Village issued Fire Truck Bonds in the amount of \$70,000 for the purchase of a Fire Truck. The bonds have an interest rate of 2.75% and will mature in 2017. These bonds were paid in full during 2015 from the Fire Fund.

The Ohio Public Works Commission (OPWC) Loan No. CT20Q relates to the South Main Street Reconstruction project. The OPWC has approved a \$500,000 grant with an interest free loan in the amount of \$610,000 for this project. The loan is being repaid in annual installments of \$20,333 over 30 years with final payment July 1, 2045. The loan is being repaid from the South Main Street Reconstruction Fund.

The police cruiser loan was for the purpose of purchasing a new police cruiser. Greenville National Bank approved a four year loan bearing an interest rate of 2.75%. The loan will mature in 2019. This loan will be paid from the General Fund.

Village of Arcanum
Darke County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2015

NOTE 6. DEBT (Continued)

Amortization of the above debt is scheduled as follows:

Year Ending	Enterprise Funds		
	OWDA Loans		
	Principal	Interest	Total
December 30,			
2016	\$ 210,101	\$ 102,611	\$ 312,712
2017	214,308	98,404	312,712
2018	218,628	94,084	312,712
2019	223,065	89,646	312,711
2020	227,624	85,087	312,711
2021-2025	1,211,080	342,480	1,553,560
2026-2030	1,295,514	219,218	1,514,732
2031-2035	1,038,081	77,153	1,115,234
2036-2039	413,367	14,073	427,440
Total	\$ 5,051,768	\$ 1,122,756	\$ 6,174,524

Year Ending	OPWC Loans		
	Principal	Interest	Total
	December 30,		
2016	\$ 28,750	\$ -	\$ 28,750
2017	57,500	-	57,500
2018	57,500	-	57,500
2019	57,500	-	57,500
2020	57,500	-	57,500
2021-2025	252,500	-	252,500
2026-2030	200,000	-	200,000
2031-2035	60,000	-	60,000
Total	\$ 771,250	\$ -	\$ 771,250

Year Ending	Artesian-Pioneer		
	Principal	Interest	Total
	December 30,		
2016	\$ 30,000	\$ -	\$ 30,000
2017	30,000	-	30,000
2018	30,000	-	30,000
Total	\$ 90,000	\$ -	\$ 90,000

Year Ending	Governmental Funds		
	OPWC Loans		
	Principal	Interest	Total
December 30,			
2016	\$ 16,417	\$ -	\$ 16,417
2017	32,834	-	32,834
2018	32,834	-	32,834
2019	32,834	-	32,834
2020	32,834	-	32,834
2021-2025	164,170	-	164,170
2026-2030	164,170	-	164,170
2031-2035	101,670	-	101,670
2036-2040	101,670	-	101,670
2041-2045	101,650	-	101,650
Total	\$ 781,083	\$ -	\$ 781,083

Year Ending	Lease Purchase - Factory Building		
	Principal	Interest	Total
	December 30,		
2016	\$ 9,261	\$ 2,060	\$ 11,321
2017	9,640	1,681	11,321
2018	10,036	1,285	11,321
2019	10,447	874	11,321
2020	10,876	445	11,321
Total	\$ 50,260	\$ 6,345	\$ 56,605

Year Ending	Police Cruiser Loan		
	Principal	Interest	Total
	December 30,		
2016	\$ 9,066	\$ 997	\$ 10,063
2017	9,066	798	9,864
2018	9,066	499	9,565
2019	9,065	249	9,314
Total	\$ 36,263	\$ 2,543	\$ 38,806

NOTE 7. RETIREMENT SYSTEMS

The Village's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement Systems (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. Effective July 2, 2014 OP&F plan members were required to contribute 11.5% of their annual covered salary and for July 2, 2015 to December 31, 2015, plan members were required to contribute 12.25% of their annual covered salary. For 2015, the Village contributed to OP&F an amount equal to 24.0% for fire fighters and 19.5% for full-time police members' wages. For 2015, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

Village of Arcanum
Darke County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2015

NOTE 8. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

NOTE 9. CONTINGENT LIABILITIES

Litigation

The Village is not currently party to any legal proceedings.

Federal and State Grants

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

NOTE 10. INCOME TAX

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

NOTE 11. JOINT VENTURES WITH EQUITY INTEREST

OMEGA JV5

The Village is a Financing Participant with an ownership percentage of 0.84 percent, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed, or equipped by AMP-Ohio.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating and Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System.

Village of Arcanum
Darke County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2015

NOTE 11. JOINT VENTURES WITH EQUITY INTEREST (Continued)

On dissolution of OMEGA JV5, the net position will be shared by the Financing Participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge, and collect rates, fees, and charges at least sufficient in order to maintain a debt coverage ratio equal to 110 percent of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations.

As of December 31, 2015, the Village had met its debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001 AMP issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. Due to scheduled principal repayments, the resulting note receivable has been reduced at December 31, 2015 to \$49,803,187*. AMP will continue to collect debt service from the OMEGA JV5 participants until the note is paid in full.

The Village's net investment to date in OMEGA JV5 was \$25,098 at December 31, 2015 (the most recent information available). Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

* Subsequent to year end, on January 19, 2016, OMEGA JV5 issued the Beneficial Interest Refunding Certificates, Series 2016 (the "2016 Certificates") in the amount of \$49,745,000 for the purpose of refunding the promissory note to AMP in full. The outstanding amount on the promissory note had been reduced to \$49,243,377 at the time of refunding.

OMEGA JV2

The Village is a Non-Financing Participant and an Owner Participant with an ownership percentage of .03% and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project Shares, ownership of which is held in trust for such Purchaser Participants.

Pursuant to the OMEGA JV2 Agreement (Agreement), the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed or equipped by AMP-Ohio and to pay or incur the costs of the same in accordance with the Agreement.

Village of Arcanum
Darke County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2015

NOTE 11. JOINT VENTURES WITH EQUITY INTEREST (Continued)

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system.

The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participant's entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP, which acts as the joint venture's agent. During 2001, AMP issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. On January 3, 2011, AMP redeemed all of the \$31,110,000 OMEGA JV2 Project Distributive Generation Bonds then outstanding by borrowing on AMP's revolving credit facility. As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP credit facility. As of December 31, 2015, the outstanding debt was \$8,052,470. The Village's net investment in OMEGA JV2 was \$5,443 at December 31, 2015. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

The thirty-six participating subdivisions and their respective ownership share at December 31, 2015 are:

Municipality	Percent Ownership	KW Entitlement	Municipality	Percent Ownership	KW Entitlement
Hamilton	23.87%	32,000	Grafton	0.79%	1,056
Bowling Green	14.32%	19,198	Brewster	0.75%	1,000
Niles	11.48%	15,400	Monroeville	0.57%	764
Cuyahoga Falls	7.46%	10,000	Milan	0.55%	737
Wadsworth	5.81%	7,784	Oak Harbor	0.55%	737
Painesville	5.22%	7,000	Elmore	0.27%	364
Dover	5.22%	7,000	Jackson Center	0.22%	300
Galion	4.29%	5,753	Napoleon	0.20%	264
Amherst	3.73%	5,000	Lodi	0.16%	218
St. Mary's	2.98%	4,000	Genoa	0.15%	199
Montpelier	2.98%	4,000	Pemberville	0.15%	197
Shelby	1.89%	2,536	Lucas	0.12%	161
Versailles	1.24%	1,660	South Vienna	0.09%	123
Edgerton	1.09%	1,460	Bradner	0.09%	119
Yellow Springs	1.05%	1,408	Woodville	0.06%	81
Oberlin	0.91%	1,217	Haskins	0.05%	73
Pioneer	0.86%	1,158	Arcanum	0.03%	44
Seville	<u>0.80%</u>	<u>1,066</u>	Custar	<u>0.00%</u>	<u>4</u>
	<u>95.2%</u>	<u>127,640</u>		<u>4.80%</u>	<u>6,441</u>
			Grand Total	<u>100.00%</u>	<u>134,081</u>

Under the Village's cash basis of accounting, the equity interest in OMEGA JV2 is not reported as an asset in the accompanying basic financial statements.

Segment Information for the Electric Fund

Included in the services provided by the Village are electric utility services financed primarily by user charges. The calculation of Joint Venture 5 (JV5) debt coverage and the financial breakdown of the Electric Fund are presented separately to satisfy debt covenant compliance requirements with AMP Ohio. The financial information for the years ended December 31, 2015 and 2014 for these enterprises are indicated below:

Village of Arcanum
Darke County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2015

NOTE 11. JOINT VENTURES WITH EQUITY INTEREST (Continued)

Calculation of JV5 Debt Coverage

	2015	2014
Operating Income	\$ 244,859	\$ 180,990
JV5 Debt Service (Included below as cash disbursements to Amp Ohio)	87,281	87,269
KWH Tax from General Fund	-	-
Adjusted Operating Income Available for Debt Service	<u>332,140</u>	<u>268,259</u>
OMEGA JV5 Debt Service (paid by Amp Ohio)	87,281	87,269
Other Electric System Debt Service	-	-
Total Electric System Debt	<u>\$ 87,281</u>	<u>\$ 87,269</u>
Coverage (Convenants require 110% coverage of all debt)	381%	307%

As of December 31, 2015:

	Electric Fund	Other Proprietary Funds	Total Proprietary Funds
Operating Cash Receipts:			
Charges for Services	\$ 2,296,282	\$ 1,085,765	\$ 3,382,047
Other Operating Receipts	20,689	2,757	23,446
Total Operating Cash Receipts	<u>2,316,971</u>	<u>1,088,522</u>	<u>3,405,493</u>
Operating Cash Disbursements:			
Personal Services	204,438	285,962	490,400
Contractual Services	1,773,661	285,719	2,059,380
Supplies and Materials	94,013	80,359	174,372
Total Operating Cash Disbursements	<u>2,072,112</u>	<u>652,040</u>	<u>2,724,152</u>
Operating Receipts Over (Under) Operating Disbursements	244,859	436,482	681,341
Non-Operating Cash Receipts (Cash Disbursements):			
Other Nonoperating Receipts	-	29,638	29,638
Other Nonoperating Disbursements	(30,000)	(8,668)	(38,668)
Capital Outlay	(30,668)	(105,140)	(135,808)
Principal Payments	-	(322,253)	(322,253)
Interest and Fiscal Charges	-	(106,710)	(106,710)
Total Non-Operating Receipts/(Disbursements)	<u>(60,668)</u>	<u>(513,133)</u>	<u>(573,801)</u>
Net Receipts Before Interfund Advances	184,191	(76,651)	107,540
Advances:			
Advances Out	-	(3,191)	(3,191)
Total Advances	<u>-</u>	<u>(3,191)</u>	<u>(3,191)</u>
Change in Net Position	184,191	(79,842)	104,349
Net Position - Cash Basis, January 1	<u>1,718,614</u>	<u>1,567,387</u>	<u>3,286,001</u>
Net Position - Cash Basis, December 31	<u>\$ 1,902,805</u>	<u>\$ 1,487,545</u>	<u>\$ 3,390,350</u>

Village of Arcanum
Darke County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2015

NOTE 11. JOINT VENTURES WITH EQUITY INTEREST (Continued)

As of December 31, 2014:

	Electric Fund	Other Proprietary Funds	Total Proprietary Funds
Operating Cash Receipts:			
Charges for Services	\$ 2,212,170	\$ 1,094,381	\$ 3,306,551
Other Operating Receipts	37,869	5,676	43,545
Total Operating Cash Receipts	<u>2,250,039</u>	<u>1,100,057</u>	<u>3,350,096</u>
Operating Cash Disbursements:			
Personal Services	249,365	244,493	493,858
Travel Transportation	5,705	5,303	11,008
Contractual Services	1,694,739	170,734	1,865,473
Supplies and Materials	77,551	87,227	164,778
Capital Outlay	49,905	144,424	194,329
Total Operating Cash Disbursements	<u>2,077,265</u>	<u>652,181</u>	<u>2,729,446</u>
Operating Receipts Over (Under) Operating Disbursements	172,774	447,876	620,650
Non-Operating Cash Receipts (Cash Disbursements):			
Other Nonoperating Receipts	-	28,028	28,028
Other Nonoperating Disbursements	(31,187)	(1,186)	(32,373)
Principal Payments	-	(271,526)	(271,526)
Interest and Fiscal Charges	-	(110,704)	(110,704)
Total Non-Operating Receipts/(Disbursements)	<u>(31,187)</u>	<u>(355,388)</u>	<u>(386,575)</u>
Net Receipts Before Interfund Advances	141,587	92,488	234,075
Advances In	-	3,191	3,191
Total Advances	<u>-</u>	<u>3,191</u>	<u>3,191</u>
Change in Net Position	141,587	95,679	237,266
Net Position - Cash Basis, January 1	<u>1,577,027</u>	<u>1,471,708</u>	<u>3,048,735</u>
Net Position - Cash Basis, December 31	<u>\$ 1,718,614</u>	<u>\$ 1,567,387</u>	<u>\$ 3,286,001</u>

As more fully described in the previous paragraphs, the Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 2,237 kilowatts of a total 771,281 kilowatts, giving the Village a 0.29 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, payment of these costs was not made due to AMP's pursuit of legal action to void them. As a result of a March 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share at March 31, 2014, of the impaired costs is \$384,570. The Village received a credit of \$56,955 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$101,168 related to the AMPGS costs deemed to have future benefit for the project participants, and made payments of \$300,000 leaving a net credit balance of impaired cost estimate of \$73,553. The Village will be leaving the credit balance with AMP to offset any additional costs in the future. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's credit balance. These amounts will be recorded as they become estimable. Since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$2,973, and interest credited to the Village has been \$1,054, resulting in a net credit balance at December 31, 2015 of \$71,634. During 2015, the Village made no payments to AMP toward its net impaired cost estimate.

Village of Arcanum
Darke County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2015

NOTE 12. CHANGE IN BASIS OF ACCOUNTING

For fiscal year 2015, the Village ceased to report using the modified cash basis and reported on a cash basis as described in Note 2.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Arcanum
Darke County
104 West South Street
Arcanum, Ohio 45304

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Arcanum, Darke County, Ohio, (the Village) as of and for the year ended December 31, 2015, and the related notes to the financial statements and have issued our report thereon dated March 16, 2017, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the Village changed their financial statement presentation from the prior year.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Village's Response to Findings

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

March 16, 2017

**VILLAGE OF ARCANUM
DARKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2015-001

Material Weakness – Bank Reconciliation

Monthly reconciliations between the bank and the accounting system provide reasonable assurance that all receipts and disbursements have been correctly posted in the accounting system and have been correctly posted by the bank. The Village completed individual account bank to book reconciliations for each month during 2015. The Village's monthly bank reconciliations from the period of January through December contained multiple errors that caused the Village's reconciled bank balance to exceed the book balance by \$4,056. These errors included the following items:

- Failure to prepare an entity wide bank reconciliation which would include all Checking and Savings Accounts, Certificates of Deposit, Investments, and Petty Cash held by the Village;
- Including payroll deductions as reconciling items with no supporting documentation;
- Including checks written in the subsequent year on the current year's outstanding checklist.

Accurate reconciliations are a basic and essential internal control component for sound fiscal management. Village officials rely on accurate reconciliations to make sound financial decisions. Failure to properly reconcile the bank to the book monthly increases the chance of fraud, theft, error or omissions remaining unnoticed.

The Village should implement procedures to verify that bank reconciliations are prepared timely. Additionally, the monthly bank reconciliations should be provided to Council for their review and approval. Council should review and sign the reconciliations indicating their approval. All transactions should be accurately posted in the accounting system. Adjustments should be documented, and any unexplained differences, including the variance at year end noted above, should be investigated and resolved immediately.

Officials' Response: The Village has returned to its previous software provider for payroll, which should help with reconciliation of the payroll account specifically. The Fiscal Officer intends to implement a procedure where all of the Village's deposit accounts are factored into the monthly reconciliation and comparing that number to the overall unexpensed balance of the Village rather than simply reconciling each account individually and looking at each difference separately. The Fiscal Officer will then present reports to Council with these reconciliations.

**VILLAGE OF COLLEGE CORNER
PREBLE COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Failure to complete accurate bank reconciliations	Not Corrected	<p>Reissued as Finding Number 2015-001</p> <p>The Village has returned to its previous software provider for payroll, which should help with reconciliation of the payroll account specifically. The Fiscal Officer intends to implement a procedure where all of the Village's deposit accounts are factored into the monthly reconciliation and comparing that number to the overall unexpensed balance of the Village rather than simply reconciling each account individually and looking at each difference separately. The Fiscal Officer will then present reports to Council with these reconciliations.</p>
2014-002	Failure to properly report financial activity.	Corrective Action Taken and Finding is Fully Corrected	



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VILLAGE OF ARCANUM

DARKE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 4, 2017